

RFI-ASD-Disbursing-Services

The establishment of the Defense Finance and Accounting Service (DFAS) in January 1991 was an important first step in the continuing process to improve the Department of Defense (DoD) finance and accounting operations. Prior to DFAS, DoD performed finance and accounting functions at various installations/activities using non-standard systems and procedures. Over the years DFAS consolidated from 338 offices to 26, reduced manpower by 9,200 positions, reduced systems from 324 to 65, reorganized into business line structure, and received an unqualified audit opinion on its financial statements for fiscal years 2000, 2001, and 2002.

On September 10, 2001, Secretary of Defense Rumsfeld announced that the DoD would begin examination and review of the Defense Agencies to determine if functions or processes could be improved. This announcement led to the development of a DFAS Transformation Strategy. DFAS is currently developing a Transformation Strategy for Disbursing.

DFAS consists of three major business lines, one being Accounting Services. Under the “umbrella” of Accounting Services is the Disbursing function. Disbursing is responsible for the payment and collection of funds, whether by electronic transmission or hard checks, bond maintenance, balancing payments, bank account maintenance, etc.

This Request for Information (RFI) fact sheet provides an overview of Disbursing as performed by DFAS. It is not a solicitation for services. It is only a market survey approach to determine whether the market contains the capability to perform the functions described. No decision has been to pursue any kind of private-sector commercial involvement.

OVERVIEW OF DISBURSING FUNCTIONS:

Disbursing is a function under the Accounting Business Line. Disbursing is charged with safeguarding U.S. funds through delivery of payments and receipt of collections; providing prompt, accurate and timely disbursing services, and reporting accountability to the Department of Treasury. The process of entitling payments occurs outside Disbursing and where automated uses multiple systems. The support of these various systems and interfaces resides with a number of DoD entities. It should be noted that expenditure accounting data flows through the disbursing process to the appropriate accounting activities.

Disbursing, within DFAS, is primarily performed under a centralized concept at five DFAS sites located at Cleveland, Columbus, Denver, Indianapolis, and Kansas City. In addition DFAS Disbursing is performed at DFAS locations in Europe and the Far East. Additional DFAS Disbursing operations are also performed at a large number of military installations and deployed locations worldwide by service personnel acting in the name of the DFAS Disbursing officers. Efforts are underway to reduce the number of primary sites at which DFAS Disbursing is performed. Outside of the 5 DFAS sites providing actual disbursing services, is a DFAS-Arlington operation located at DFAS-Kansas City, the Financial Services and Disbursing Division.

While legacy systems are primarily used to support disbursing operations, there are several manual and automated work-around processes within Disbursing Offices. Although

some of these functions may be small in count, the manual labor to perform these processes result in expending many man-hours to support the work.

There are 3 primary Disbursing systems used within DFAS, (e.g., Automated Disbursing System (ADS), Centralized Disbursing System (CDS), Standard Finance System Redesign Phase 1 (SRD1), as well as, several entitlement systems with embedded disbursing functions. While the three aforementioned systems are used to support Disbursing throughout DFAS, efforts are underway to reduce the number of systems being used and consolidate to a selected system(s).

The major functions of Disbursing are:

- **Disbursements:** DFAS disburses using a wide variety of currencies and payment mechanisms. Additionally, it processes high volume payrolls, intermediate volume daily cycles, and low volume special/emergency payments. Disbursement mechanisms include, but are not limited to, U.S. Treasury checks, direct Electronic Fund Transfer (EFT) feeds into the Federal Reserve Bank (FRB) network, multiple currency wire transfers, multiple currency and host nations bank accounts for check and EFT, cash, debit and stored value cards, Automated Teller Machines (ATMs,) travelers checks, and precious metals. Primary to the function of disbursements is the printing and sorting/stuffing of checks, bonds, advice of payments and vouchers, and control over securing government instruments. This includes special handling requirements as well as daily and periodic payroll runs, maintenance of blank bonds and checks, control of supplies, and maintenance of equipment. DFAS also processes Automated Clearing House (ACH) credits and Federal Taxes. In addition, DFAS is responsible for the maintenance of bonds for safekeeping.
- **Collections and Deposits:** DFAS collection processes support retail activities; telephone and utility services; hospitals; debt collections; deposits to savings programs; surety escrows; and various miscellaneous processes. Collections are received in both U.S. and foreign currencies by EFT, wire, negotiable instruments, credit card, debit card, cash, and food stamps. There is no standard accounts receivable system. Deposits are made both directly to the FRB and through the U.S. Treasury general accounts held at contract banks. This function also includes processing returned negotiable instruments with collection reversal actions or debt collection, as appropriate.
- **Transfers:** DFAS manages over 200 appropriations. Transactions between the appropriations, between accounting offices within DoD, or with other government agencies normally flow through disbursing even when a physical payment is not processed external to the government. A primary system used for transfers is the Intra-governmental Payment and Collection (IPAC) operated by the U.S. Treasury. Payment and collection data for transfer transactions is captured and distributed to accounting offices by disbursing for subsequent reporting to the U.S. Treasury.

- **Network Operations/Accountability:** DFAS disbursing activities support extensive worldwide networks of satellite activities performing specialized missions (classified and unclassified) ranging from paying foreign armies to occasional emergency payments. These operations are both on-line and manual. Processed payments and collections must be centrally recorded, balanced, and distributed to appropriate accounting and entitlement systems. DFAS disbursing provides procedures, systems support, and oversight for these Service operations.
- **Expenditure Balancing/Accounting:** Unlike the U.S. Treasury operations, the majority of DFAS disbursing activities process lines of accounting data with the actual disbursement and collections transactions. This accounting data is then passed to the appropriate accounting systems, and ultimately the U.S. Treasury, along with the disbursing generated payment information. This requires disbursing activities to balance payment and collection data to distributed accounting charges. DFAS disbursing activities are also responsible for maintaining accountability for funds held outside Treasury, as well as, Suspense Account Management, which involves researching, tracking, aging, clearing and reporting non-exempt transactions for suspense accounts directly related to the Disbursing Officers Disbursing Station Symbol Number (DSSN).
- **Returns/Recalls:** DFAS disbursing activities process all check, EFT, and wire returns and recalls. These processes are automated to varying degrees dependent on the disbursing and entitlement systems involved. DFAS disbursing also processes Treasury Check Claims, which involve inquiries based on non-receipt of checks and stale dated checks.
- **Systems:** Systems development and support (e.g., Standard Finance System Redesign phase 1 (SRD1), Automated Disbursing System (ADS), Centralized Disbursing System (CDS), Defense Standard Disbursing System (DSDS), Deployed Disbursing System (DDS), etc.), providing the means used to accomplish payment/collections, transmitting, analyzing, recording and reporting disbursing transactions. Includes local (non-Technical Services Organization (TSO) disbursing system support functions (i.e., access control, trouble shooting, scheduling). Also includes the Central Contractor Registration/Central Electronic Funds Transfer (CCR/CEFT) system for the DoD.
- **Financial Services and Disbursing:** Financial Services and Disbursing functions involve responding to procedural inquiries across all DFAS and military networks, writing new guidance and maintaining the DoD Financial Management Regulation, Volume 5, determining and processing requests for waivers for lost funds, analyzing and evaluating new legislative and regulatory requirements from the Office of Management and Budget (OMB), the Department of Treasury, the General Accounting Office (GAO), and the DoD, and establish/disestablish DSSNs for all DoD disbursing offices to include requests for new DSSNs and the deactivation/closure of DSSNs at the Department of Treasury.

- **Customer Service/Support:** DFAS disbursing is responsible for handling inquiries with financial institutions, as well as, payee requests for status of payments.

The following information is provided to outline Disbursing Services performed at each of the five major DFAS locations, to include the services provided and systems used.

DFAS-Indianapolis Disbursing Services: Disbursing support for the Army, 16 Department of Defense (DoD) agencies, and three joint commands is centralized at DFAS Indianapolis. In addition, Indianapolis has two small disbursing satellites operated by DFAS Europe and DFAS Japan, primarily for foreign currency operations. DFAS Indianapolis centrally processes 99% of its disbursements; however, it also supports a worldwide network of both garrison and deployed deputy operations at over 50 locations using cash, local bank accounts and/or U.S. Treasury checks. Multiple logistics and accounting systems also feed appropriation transfer transactions into disbursing. Collections are primarily input by customer activities (93%) at every Army and DoD agency location and then centrally reconciled to banking deposit records and processed in Indianapolis. All expenditure data for 165 accounting stations, using eight different accounting systems, is centrally processed and distributed. DFAS Indianapolis also feeds data to departmental accounting, the U.S. Treasury, and a variety of DFAS support systems providing real time information to customers. There are two additional DFAS disbursing activities within the Indianapolis accounting network: Transportation payments, which operates a unique version of SRD1 in conjunction with the Defense Transportation Payments System, and a small activity at Denver which primarily transfers funds between Army training activities and Foreign Military Sales (FMS). In addition to DFAS disbursing operations, the Army operates a number of separate disbursing activities primarily for certain deployed operations, local cashier services (check cashing, foreign currency exchange) outside the United States, and for the Corps of Engineers. The Corps of Engineers operates its own centralized disbursing at Millington, Tennessee. Disbursing is done using the Corps of Engineers Financial Management System (CEFMS), an integrated accounting, finance and project management system. Army tactical finance elements in Kuwait, Bosnia, Korea, and Western Europe operate separate disbursing stations performing a limited range of disbursing functions. There are also two small disbursing stations with the National Security Agency and Defense Threat Reduction Agency, which are currently being considered for centralization into DFAS Indianapolis.

Systems Used: DFAS Indianapolis processes disbursements and collections using three disbursing systems (e.g., Standard Finance System Redesign phase I is an IBM mainframe based system which comprises 7 databases supporting 9,000 users; Disbursing Office Processing System (DOPS), which is a DOS PC/server based system and comprises 2 databases; and Single Negotiable Instruments Processing System (SNIPS) which is a UNISYS mainframe based system, as well as an Electronic Fund Transfer (EFT) disbursing module in the Defense Joint Military Pay System (DJMS), another IBM mainframe based system. A middle-ware data integrator/distributor, Operational Data Store (ODS), is an Oracle midtier based system and is also used along with a variety of support systems. Incoming automated Requests for Payment (RfPs) come from over 150 entitlement activities using 12 different systems. Multiple logistics and accounting systems also feed appropriation transfer transactions into disbursing.

DFAS-Cleveland Disbursing Services: Disbursing services for the Navy active and reserve military members and Navy travelers are performed at DFAS-Cleveland. In addition to the Navy, disbursing services are performed for all DoD military retirees and annuitants, all

DoD civilians, vendors, and such non-DoD agencies as Department of Energy, Health and Human Services, and the Veterans Administration. Due to the majority of disbursing work being “payroll related”, there is extensive balancing and reporting to a number of federal agencies. The DFAS-Cleveland disbursing organization includes several geographically separate Deputy Disbursing Officers in Japan, Hawaii, Pensacola, Charleston, San Diego, and Norfolk. However, 99.99% of disbursements and collections are made at the central site in Cleveland. All payment and collection activity is reconciled and reported to Treasury monthly.

Systems Used: The Automated Disbursement System (ADS) is used throughout the DFAS-Cleveland network. Subject to strict security, over 3,000 DoD and Federal users worldwide access payment information within ADS.

DFAS-Denver Disbursing Services: Disbursing services for the Air Force is centralized at DFAS-Denver, with the exception of the Secretary of the Air Force/Financial Management (SAF/FM). They are a separate entity, falling under their own Disbursing Station Symbol Number (DSSN) of 6599. All other Air Force activities fall under DSSN 3801. The DFAS-Denver office includes Deputy Disbursing Officers (DDOs) at 11 field sites and 104 Air Force bases, located worldwide. While the disbursing assets at the field sites are DFAS positions, the DDOs at the Air Force bases are Air Force positions. They operate in the name of the DFAS-Denver Disbursing Officer, who make local payments via EFT, check or cash, collect and deposit funds locally, or to a Federal Reserve Bank, and report their accountability to the Denver Central site on a daily basis. There are 294 Deputy Disbursing Officers at these locations.

Systems Used: The Centralized Disbursing System (CDS) is the only disbursing system that DFAS Denver (DSSN 3801) uses to support the Air Force. It consists of only one database that all locations feed into. There are however, several systems that disbursing utilizes to accomplish the mission. The primary one is the Defense Check Reconciliation Module (DCRM).

DFAS-Kansas City Disbursing Services: Disbursing services for the Marine Corps are centralized at DFAS-Kansas City for all non-tactical elements, with the exception of disbursing performed in Japan and Europe. The DFAS-Kansas City office also includes Deputy Disbursing Officers and functions located at 19 Marine Corps bases/stations in the Continental United States (CONUS), Hawaii, Japan and Okinawa. These remote Deputies are United States Marine Corps (USMC) personnel, operating in the name of the DFAS-Kansas City Disbursing Officer, who make local payments via check or cash, collect and deposit funds locally, and report their accountability to the central site on a daily basis. Within the Marine Corps are 3 tactical elements (Force Service Support Groups (FSSG)) that operate at Camp Lejeune, NC, Camp Pendleton, CA, and Okinawa, Japan. These elements hold separate and distinct Disbursing Station Symbol Numbers (DSSNs) and disburse all levels of payments for tactical forces whether in garrison or deployed. Each of the individual FSSGs also maintains several inactive DSSNs which may be activated for short term deployments by smaller units. All disbursing business is reported to DFAS Kansas City for roll-up and reporting to Treasury.

Systems Used: The current systems used to support Marine Corps disbursements (non-tactical and tactical) are SRD1 for vendor, travel, miscellaneous payroll, and other miscellaneous payments; Marine Corps Total Force System (MCTFS), which is a military pay entitlement system with a disbursing module for scheduled payrolls and allotments;

and Transportation Management System (TMS) for transportation and Do-It-Yourself (DITY) move payments. SRD1 receives data via interfaces from the accounting system and several entitlement systems, the Intra-governmental Payment and Collection System (IPAC) for Intra-governmental payments. Expenditure data is passed via interfaces to the accounting system, Defense Check Reconciliation Module (DCRM) for check issue data, and to IPAC-Wizard. It must be noted that the versions of SRD1 used by DFAS-Kansas City are not identical to those used by DFAS-Indianapolis or DFAS-Columbus.

DFAS COLUMBUS Disbursing Services: DFAS Columbus Disbursing is centralized and has no agent operations. DFAS Columbus supports various Defense Agency disbursement and collection functions. Disbursing is reported using 11 Disbursing Station Symbol Numbers (DSSNs) and is rolled-up at departmental level/ Defense Agency DSSN, which there are 2; Army DSSN, which there are 3 at DFAS Indianapolis; Air Force DSSN which there are 3 at DFAS Denver; and Navy DSSN, which there are 3 at DFAS Cleveland. Disbursements are provided by a variety of systems, while collections are performed for all Defense Commissary Agency (DeCA) CONUS and Far East commissaries, DRMS CONUS and OCONUS, EFT rejects, returned checks and miscellaneous check collections. All collections are performed manually.

Disbursing Systems: DFAS Columbus uses 7 different disbursing systems. Six of those systems are entitlement systems with embedded disbursing modules: 1) Mechanization of Contract Administration Services (MOCAS), which uses 3 subsystems to perform disbursements; 2) Standard Automated Material Management System (SAMMS); 3) Business System Modernization (BSM); 4) Fuels Automated System (FAS); 5) Defense Integrated Substance Management System (DISMS); and 6) Automated Voucher and Examination and Disbursement System (AVEDS). These 6 systems support the Defense Contract Management Agency (DCMA); Defense Logistics Agency (DLA); and the Defense Commissary Agency (DeCA). The seventh system, SRD1, provides disbursing support for various entitlements (e.g., vendor pay, travel pay, etc.). DFAS Columbus as the serves as the Program Manager for Central Electronic Fund Transfer (CEFT), the centralized repository for all the Department of Defense (DoD) banking information. Functions performed are registration for system access, deletes and resets for CEFT system for approximately 2000 DoD users. Columbus serves as the focal point for all DoD problem issues. They create trouble tickets via Remedy and reconcile discrepancies between Central Contractor Registration (CCR) and CEFT.

DFAS Financial Services and Disbursing Division: The DFAS Financial Services and Disbursing Division, located at DFAS-KC is a DFAS-Arlington element that is responsible for providing all disbursing oversight and management to the Department of Defense (DoD) and DFAS disbursing officers. This Division is also responsible for developing and promulgating standard DoD disbursing guidance and procedures, for maintaining DoD disbursing manuals, regulations and instructions, and for providing assistance and problem resolutions on all DoD disbursing matters. The Financial Services and Disbursing Division develops and implements efficient and cost effective policies, procedures, techniques, mechanisms and practices to improve cash management in the DoD, in addition for providing operations management and analysis to DoD disbursing offices, including DSSN management/ordering U.S. Treasury checks, providing management oversight and appropriate actions to resolve discrepancies in Disbursing Officers accountability to include losses of funds and dishonored checks throughout the DoD.

Transactions Processed: All information is based on fiscal year 2002. DFAS disbursing processed a total of: 1) Approximately 167M disbursements totaling \$318.9B. Of this amount, 109M transactions for \$241.8B were EFT; 34.8M transactions for \$12.8B were Check, 549K transactions for \$28.2B were IPAC and 6K transactions for \$8.7M were “other”, which includes cash, wire transfers, etc. 2) Approximately 1.5M collections for \$82.4B. 3) Printing approximately 7.2M Advice of Payment (AOP) vouchers; 4) Approximately 3.3M Appropriation Transfers; 5) Responded to approximately 102K inquiries; 6) Processed approximately 316K Returns/Recalls; and 7) Maintained an on-hand balance of approximately \$597.2M. The above information is not all-inclusive, but is provided to outline the volume of transactions and dollars processed by DFAS disbursing. **Staffing Levels:** DFAS Disbursing staffing (all positions based on authorizations) consists of approximately 687 FTEs (633 civilian, 34 military, and 20 foreign national direct and/or indirect hires). Approximately 25% of the civilian positions are Inherently Governmental positions.

INSTRUCTIONS FOR PROVIDING INFORMATION:

- 1. The purpose of the RFI is to gather information relative to improving the delivery of disbursing services.**
- 2. Only interested vendors need reply**
- 3. Vendors must provide a brief non-binding statement of interest indicating that, if at a future date, some transformation option involving commercial competition were to be initiated, the vendor envisions participating.**
- 4. Using information in this RFI as a basis as to what constitutes disbursing, vendors must provide a brief Statement of Capabilities (limited to no more than 5 pages. Briefing slides/Power Point slides will not be considered), that they have accomplished or participated within the last 3 years:**
 - a. Company overview Size, locations, primary capabilities, additional information not provided by the already defined functionality and any other pertinent information you would like to present in response to the RFI**
 - b. Similar services provided (current or within the last 3 years). Type of service (in detail); to whom, volume (dollars, transactions) for each category; payment and collection methods/mechanisms**
 - c. Experience with foreign currency operations**
 - d. Ability to manage multiple systems**
 - e. Customer Service/Support. Experience in operating a network of subordinate or satellite offices.**
 - f. Best practices utilized in performing the same or like service**
 - g. Critical performance metrics/Standards of service**
 - h. Direct or indirect relationship with FRB/NACHA**
 - i. Knowledge of and experience in accounting operations, particularly government accounting**

This RFI is not a commitment by the Government to pursue competitive sourcing for DFAS Disbursing. This RFI is being used solely as a Market Research tool.

Questions will be accepted concerning this RFI. Questions can be submitted by email only to Ms. Darla Renee Wood via email (darla.wood@dfas.mil) Answers to all questions will be posted to the DFAS website at www.dfas.mil.